DOCUMENT RESUME

ED 255 487 SP 025 896

TITLE	Manitoba Teachers' Retirement Allowances Fund. Report to Members.
INSTITUTION	Teachers' Retirement Allowance Fund Board, Winnipeg (Manitoba).
PUB DATE	83
NOTE	24p.
PUB TYPE	Statistical Data (110) -- Reports - Descriptive (141)
EDRS PRICE	MF01/PC01 Plus Postage.
DESCRIPTORS	Foreign Countries; Investment; *Retirement Benefits; *Teacher Associations; *Teacher Employment Benefits; *Teacher Retirement; Trusts (Financial)
IDENTIFIERS	*Manitoba

ABSTRACT

This report relates the operations of the Manitoba Teachers' Retirement Allowances Fund for its fiscal year ended on December 31, 1982. A copy of the Provincial Auditor's Report on the Accounts is attached as well as the related financial statements. Included in the report are: (1) graphs displaying notable financial and statistical items; (2) statement of "Comparative Statistics" of significant aspects of the Fund covering the period from inception in 1925 to the end of 1982; (3) report of the Provincial Auditor on his examination of the accounts of the Fund for the year ended December 31, 1982; and (4) financial statements in respect of the year ended December 31, 1982. (JD)

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MANITOBA TEACHERS' RETIREMENT ALLOWANCES FUND

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REPORT TO MEMBERS

1983

SP025 896

REPORT TO MEMBERS
1983

THE TEACHERS' RETIREMENT ALLOWANCES FUND BOARD

James G. Oborne, Chairman
Murray McKnight, Vice-Chairman

TEACHER MEMBERS	SCHOOL TRUSTEE MEMBERS
Ethel Arnott	D. Kenneth Compton
Marilyn Thompson	Ray Whiteway
Kenneth Valainis	

You are welcome to direct your enquiries regarding your status as a member of this plan to the Board office. In order that we may more rapidly answer your enquiries, we suggest that, when doing so, you state the subject you wish to discuss so that we may refer you to the appropriate staff member. It would also expedite matters if you advise as to your social insurance number.

Members of the Plan may visit the office at any time during business hours to examine The Teachers' Pensions Act and amendments thereto, the annual information return to The Pension Commission, the most recent actuarial valuation report, and the latest audited financial statements. Also, members or their duly authorized agent may visit the Pension Commission concerning The Teachers' Pensions Allowances Fund.

THE TEACHERS' RETIREMENT ALLOWANCES FUND BOARD
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(Dept. of Education Toll Free Number)

THE TEACHERS' RETIREMENT ALLOWANCES FUND
REPORT TO MEMBERS
1983

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THE TEACHERS' RETIREMENT ALLOWANCES FUND

REPORT TO MEMBERS

1983

This report relates to the operations of the Teachers' Retirement Allowances Fund for its fiscal year ended on December 31, 1982. In this connection, we have attached a copy of the Provincial Auditor's Report on the Accounts for that period as well as the related financial statements. Some highlights taken from those statements are:

	1982	1981	% decrease
Investments	**$264,917,163.**	$222,546,959.	19.0
Investment Income	**$27,991,497.**	$26,720,776.	4.8
Rate of Investment Return	**11.96%**	14.02%	(14.7)
Teachers' Contributions	**$26,293,466.**	$25,985,486.	1.2
Contributors	**12,907.**	12,805.	.8
Contributions and Other Payments by Province of Manitoba and Employers	**$13,988,599.**	$12,678,907.	10.3
Pension Payments	**$23,053,523.**	$20,867,168.	10.5
Pensions and Other Recipients	**3,117.**	3,007.	3.7

Pensions:

During the year, 194 income benefits were granted as follows:

Regular service pensions	
Ages earlier than 60	69
Ages 60 and over	104
	173
Pensions to spouses of deceased teachers	1
Annuities to retired teachers not entitled to pensions	20
	194

40 of the total of 173 new regular pensioners chose a plan of payment providing for all or part of the pension to continue to be paid after the retired teacher's death for the lifetime of a beneficiary. 15 chose life pensions guaranteed for a minimum period of either 10 or 15 years; and 118 selected a basic lifetime pension. 51 pensioners who retired before age 65 chose to integrate either or both of the Old Age Security and Canada Pension Plan pensions with their pensions from the Fund. Following is a breakdown of new 1982 regular service pensions according to years of pensionable service, with comparative 1981 figures shown in brackets:

Years of Service	No. of Pensioners		Average Monthly Basic Pension	
1 - 9.9	11	(3)	$ 130	($ 85)
10 - 14.9	17	(18)	340	(404)
15 - 19.9	36	(15)	578	(484)
20 - 24.9	27	(30)	725	(680)
25 - 29.9	26	(24)	939	(859)
30 - 34.9	22	(20)	1,241	(1,156)
35 +	40	(20)	1,504	(1,297)
1 - 35 +	173	(130)	902	(807)

Following is a summary of the different types of income benefits being paid at the end of December, 1982:

Regular Service Pensions—	
to retired teachers	2,732
to dependants or estates of deceased retired teachers	82
Disability Pensions—	
to retired disabled teachers	133
to dependants or estates of deceased retired disabled teachers	4
Death Benefits—	
to surviving spouses or children of deceased teachers	53
Special Annuities—	
to former teachers of retirement age not entitled to regular pensions	113
	3,117

Of the teachers to whom, or in respect of whom, the above noted benefits are being paid, 2,335 are female and 782 are male.

Information and Counselling:

A summary of the benefits available to plan members is contained in a general information booklet which has been distributed to all teachers through their school division office.

During the year, staff members of the Board have corresponded with many individual teachers. There were 207 plan members who made appointments to visit the Board office for assistance in formulating retirement plans or to obtain information concerning provisions for reinstatement of refunded service, reciprocal transfer agreements and other aspects of the plan of specific interest to them. Teachers are encouraged to arrange retirement interviews so that they and their spouse more fully understand key decisions regarding the selection of an optional type of pension payment or integration of their pension with federal Old Age Security and Canada Pension Plan benefits.

During 1982, staff members acted as resource persons for pre-retirement planning seminars organized by The Manitoba Teachers' Society. Seminars were held in Dauphin, Carman and Winnipeg. A total of 323 teachers planning their retirement registered to attend. Many of them attended with their spouses. Resource persons were also made available for the Manitoba Teachers' Society

Employee Benefits Seminar held in Winnipeg in September. Staff members can be made available to any group of teachers who wish assistance in conducting general information meetings related to the pension plan.

Numerous enquiries continue to result from the amendment to the Teachers' Pensions Act which allows teachers to make a special payment to convert their pre-July, 1980 service to a 5 year average in the eventual calculation of their pension. Information concerning this major change in the Act may be obtained by direct enquiry to the general office.

The response to individual counselling sessions and to the more general pre-retirement planning seminars indicates that teachers and their spouses have found them to be useful in making informed retirement decisions.

Investments:

As may be noted from the financial highlights, the invested assets of the Fund increased during the year by more than $42,000,000. This increase, along with approximately $6,000,000. of funds resulting from maturing securities, was invested under the direction of the Investment Committee comprised of the Chairman of the Board, a "teacher" member of the Board, Marilyn Thompson, and the provincial Deputy Minister of Finance. The investments chosen by the Committee may be summarized as follows:

	% of total	Cost (thousand $)	Average Yield %
Bonds—Province of Manitoba	10.4	$ 5,000,	15.25
—Hospital corporation	6.2	3,000,	15.25
—Canadian corporations	2.4	1,167,	17.71
Total Bonds	19.0	9,167,	15.56
Mortgages—Insured, N.H.A.	34.1	16,431	17.21
—Uninsured	9.2	4,440,	16.89
Total Mortgages	43.3	20,871,	17.14
Total Fixed Income	62.3	$30,038,	16.66
Real Estate Equity	12.0	$ 5,764,	
Other Equity—Canadian Commercial Bank Shares	8.8	4,280,	
—Mortgage Investment Corp. shares	1.7	800,	
—Direct Natural Resource equity	1.7	800,	
—Venture Capital	.8	400,	
Total Other Equity	13.0	6,280,	
Total Equity	25.0	$12,044,	
Total Long Term Investment	87.3	$42,082,	
Short Term Investment	12.7	6,131,	
Total New Investment	100.0	$48,213,	

As investments in real estate, mortgages, mortgage bonds, venture capital, and direct acquisition of natural resource assets require advance commitment of funds which are paid out during or on completion of construction or as required to fund venture capital or natural resource acquisitions, over $33,000,000. of unfunded commitments were in place at the end of the year, as follows:

	Amount (thousand $)	Average Yield
Bonds—Canadian Corporations	$ 2,000,	14.75%
Mortgages—Insured, N.H.A.	7,596,	plus participation
—Insured, Other	721,	14.97%
—Uninsured	5,020,	floating rates
Total Mortgages	$13,337,	14.34%
Total Fixed Income	$15,337,	
Real Estate Equity	$11,137,	
Other Equity—Direct Natural Resources	4,933,	
—Venture Capital	1,300,	
—Mortgage Investment Corp.	513,	
Total Other Equity	$ 6,746,	
Total Equity	$17,883,	
Total Commitments	$33,220,	

Under the Act, investments are made as directed by the Investment Committee, comprised of the Chairman and a "teacher" member of the Board and the Deputy Minister of Finance for the Province. The Committee held 7 formal meetings during 1982 and the results of its decisions are portrayed in the preceding paragraphs. Although there was a net increase in the amount invested in every asset class, the percentage of total investments representing fixed income securities reduced by approximately 2% to 68.37%, offset by a corresponding increase in equity investments from 16% to 18%.

In our report with respect to 1981, we advised that the rate of return on the average net assets of the Fund had been 11.90%. Subsequently, it was decided that certain changes in the methods used to record investment income in the accounts should be implemented and that the changes should be made as if they had been in effect for 1981. The principal change was to recognize the significant increase in value of real estate investments over their original cost, with one-half of such increase being added to income and the remainder being held as a provision for possible future declines in value. The effect of this policy change was an increase in the rate of return for 1981 to 14%. In 1982 there was a modest decline in the appraised value of real estate investments that was charged to the provision referred to above. It was also decided that a general provision should be made for possible losses of capital on fixed income investments as there were indications that, as a result of difficult economic conditions, defaults were likely to occur with respect to a few bond and mortgage investments held. Therefore, .25% of the average of investments of this type held in each year, commencing in 1982, will be allocated to the provision for capital

losses and any actual losses incurred will be charged to the provision. After taking into account these events, the rate of return on the average net assets of the Fund for 1982 was 11.96%.

Actuarial Valuation:

As required by the Act, an actuarial appraisal is made of the Fund every 3 years. In the most recent report as at January 1, 1981, the Actuary advised that the Fund's actuarial liabilities were totally offset by actuarial assets; therefore, the Fund was in a financial position to pay its share of the cost of all benefits to present members promised under the Act.

Board Membership:

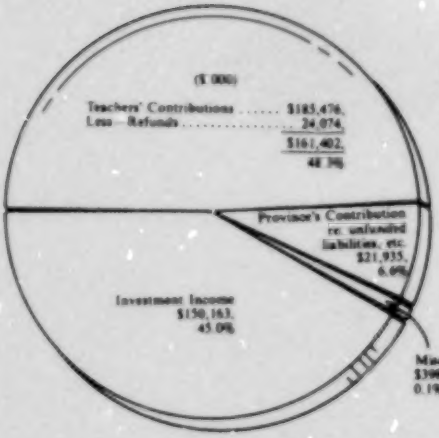
The Board is comprised of 7 members appointed by the Lieutenant Governor in Council. 3 must be teachers and are recommended for appointment by The Manitoba Teachers' Society and 2 are recommended for appointment by The Manitoba Association of School Trustees, with the remaining 2 appointed directly by the government. The names and sources of appointment of the current members of the Board are shown at the beginning of this report.

Glen D. Buhr,
Secretary-Treasurer,
The Teachers' Retirement
Allowances Fund Board.

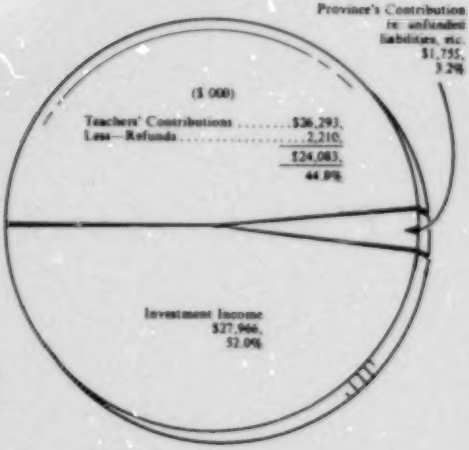
THE TEACHERS' RETIREMENT ALLOWANCES FUND

INCOME

1963 to 1982

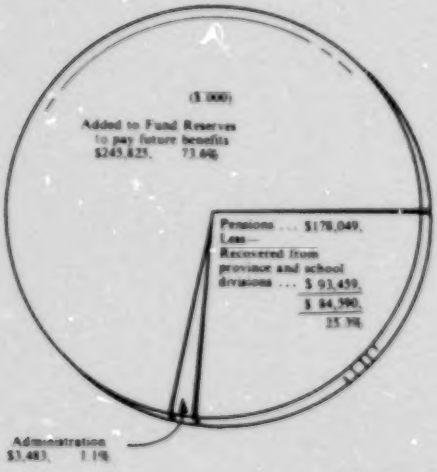


1982

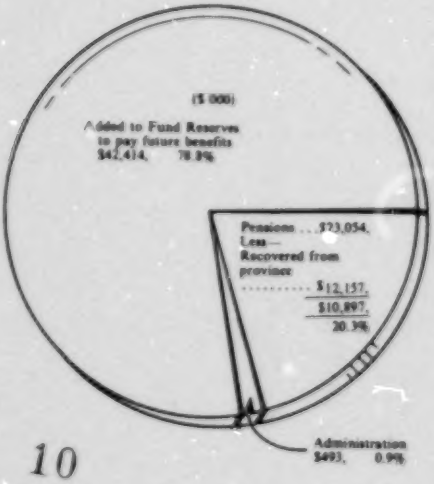


DISPOSITION OF INCOME

1963 to 1982



1982



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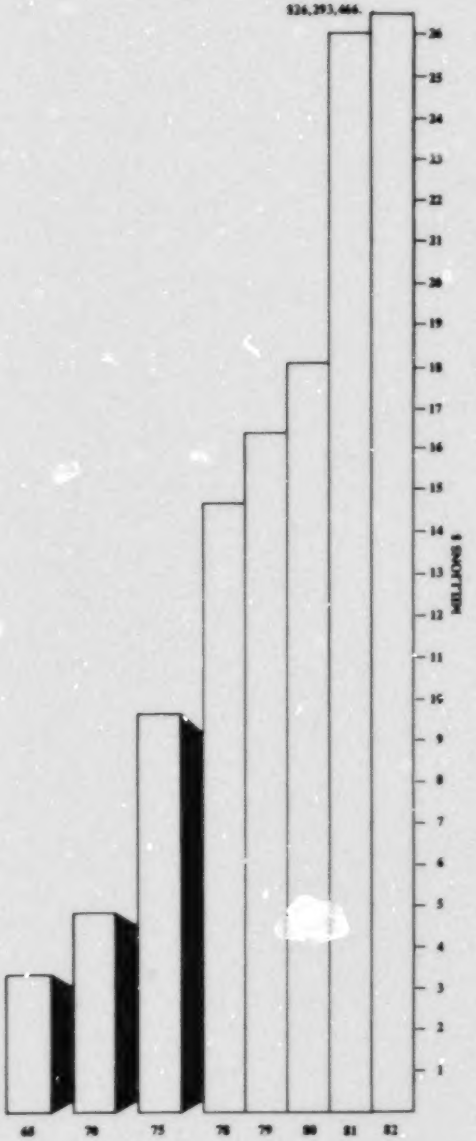
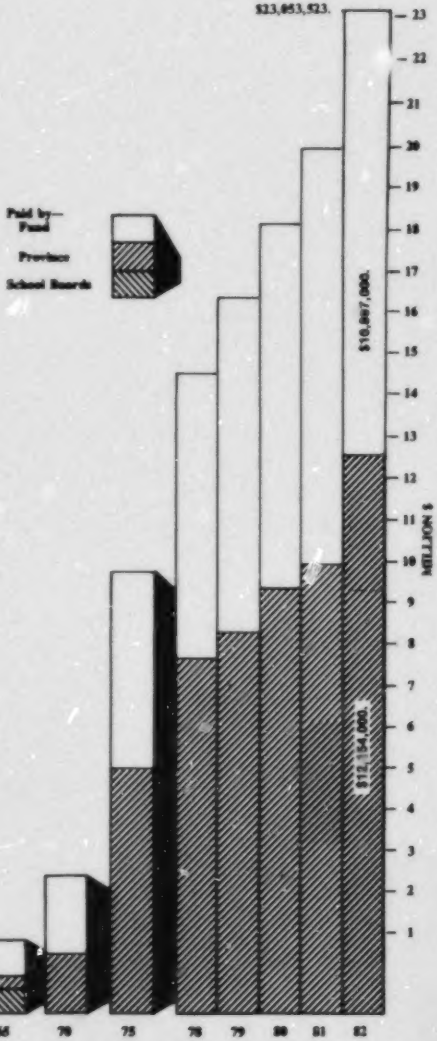
THE TEACHERS' RETIREMENT ALLOWANCES FUND

TEACHER CONTRIBUTIONS



PENSIONS COST



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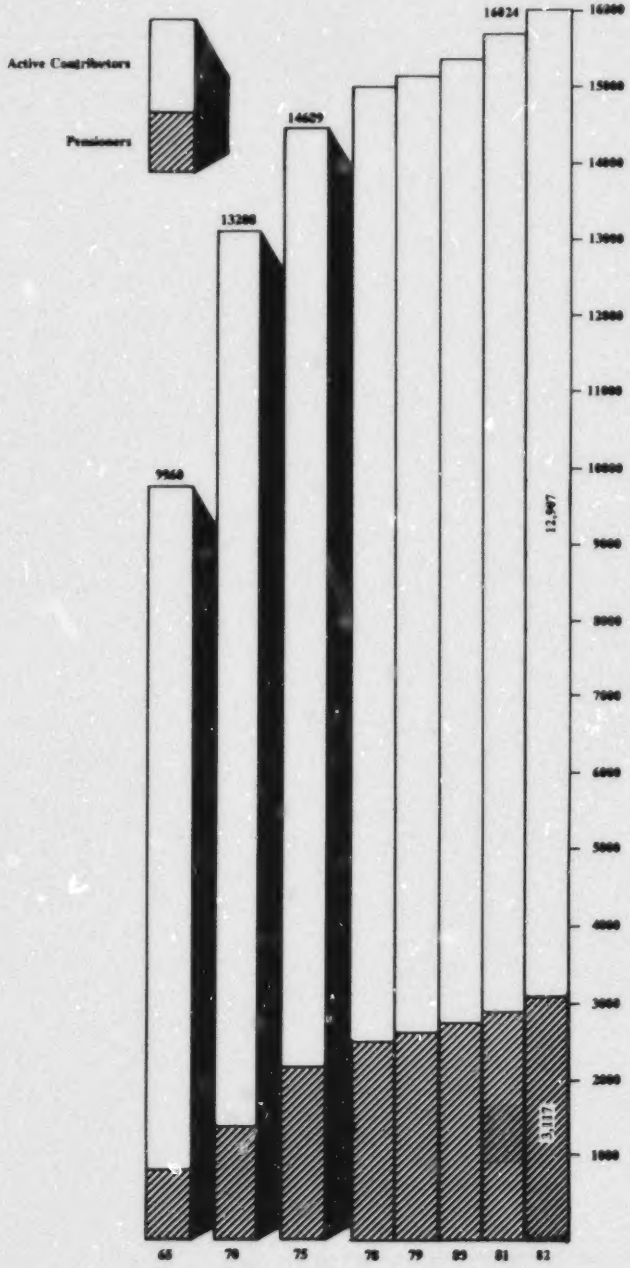
THE TEACHERS' RETIREMENT ALLOWANCES FUND

PLAN MEMBERSHIP



TEACHERS' RETIREMENT ALLOWANCES FUND BOARD

COMPARATIVE STATISTICS

1925 - 1982

Year Ended 30th June	Net Assets	Income From Investments			CONTRIBUTIONS	
					Teachers	Province of Manitoba
	Thousands $	Thousands $	Approx. Rate of Return %	Number of Teachers Contributing	Thousands $	Thousands $
1925 to 1948 .	1,866,	628,	4.00		1,761,	248,
1949	2,143,	66,	3.25	3,620	229,	49,
1950	2,477,	84,	3.25	3,650	292,	55,
1951	2,827,	86,	3.25	3,750	325,	58,
1952	3,261,	100,	3.25	3,800	362,	88,
1953	3,819,	121,	3.35	4,050	413,	121,
1954	4,461,	145,	3.55	4,200	471,	126,
1955	5,471,	172,	3.55	4,250	813,	137,
1956	6,335,	207,	3.55	4,400	656,	140,
1957	11,719,	283,	3.60	4,900	725,	204,
1958	12,908,	402,	3.75	5,200	875,	411,
1959	14,469,	571,	4.00	5,950	1,080,	417,
1960	16,437,	649,	4.25	7,000	1,313,	474,
1961	18,688,	757,	4.45	7,300	1,545,	502,
1962	21,043,	875,	4.65	7,300	1,606,	519,
1963	23,225,	1,030,	4.70	7,750	1,717,	529,
1964	25,316,	1,144,	4.85	8,700	2,247,	256,
1965	28,084,	1,281,	5.00	9,000	3,137,	201,
1966	30,387,	1,427,	5.00	9,400	2,962,	538,
1967	33,746,	1,574,	5.15	9,750	2,972,	1,017,
1968	36,839,	1,735,	5.35	10,650	3,655,	1,227,
1969	40,627,	2,008,	5.50	11,150	4,332,	1,394,
1970	44,828,	2,320,	5.60	11,650	4,710,	1,578,
6 mos. ended 31 Dec. 1970 .	46,311,	1,369,	6.00	11,750	1,806,	1,280,
year ended 31st Dec.						
1971	52,119,	3,125,	6.19	12,100	5,620,	3,123,
1972	60,249,	3,977,	6.40	12,000	6,281,	3,841,
1973	68,188,	3,996,	6.53	12,200	6,982,	6,100,
1974	77,256,	3,078,	4.43	12,300	7,862,	8,755,
1975	89,277,	7,008,	8.94	12,400	9,316,	7,538,
1976	101,988,	8,090,	8.91	12,500	10,656,	8,519,
1977	117,140,	9,260,	8.91	12,600	12,348,	9,322,
1978	137,127,	12,007,	9.91	12,716	14,538,	9,985,
1979	159,066,	14,917,	10.60	12,533	16,292,	10,859
1980	184,458,	17,181,	10.53	12,471	18,065,	11,848,
1981.....	222,755,	22,877,	14.02	12,805	25,985,	12,617,
1982.....	272,360,	27,966,	11.96	12,907	26,293,	13,912,

School Districts	Admin. Expenses	Refunds	Pensions			
			Cost	Being paid at end of period	Added during period	Deleted during period
Thousands $	Thousands $	Thousands $	Thousands $			
—	33,	279,	464,	109	192	83
48,	9,	45,	60,	134	34	9
54,	8,	73,	71,	150	30	14
57,	8,	87,	81,	160	25	15
87,	11,	105,	88,	178	28	10
118,	10,	108,	98,	194	28	12
123,	11,	107,	106,	205	28	17
133,	13,	121,	110,	211	21	15
136,	12,	141,	121,	230	33	14
200,	18,	170,	232,	557	351	24
378,	19,	200,	594,	602	65	20
407,	20,	227,	668,	626	62	38
442,	29,	199,	682,	648	45	23
459,	26,	270,	716,	675	61	34
475,	28,	316,	776,	725	73	23
500,	36,	461,	1,097,	781	74	18
527,	44,	531,	1,509,	895	148	34
539,	40,	610,	1,750,	960	101	36
287,	39,	803,	2,072,	1,032	102	30
11,	44,	859,	2,251,	1,084	88	36
20,	57,	904,	2,594,	1,155	120	49
12,	56,	990,	2,906,	1,253	138	40
13,	64,	1,116,	3,261,	1,357	143	39
5,	31,	649,	2,310,	1,458	124	23
16,	90,	1,048,	4,955,	1,606	195	47
10,	114,	1,244,	5,670,	1,737	182	51
9,	123,	1,186,	7,076,	1,980	293	50
8,	136,	1,449,	8,957,	2,176	244	48
6,	168,	1,385,	10,661,	2,289	171	58
5,	215,	1,471,	12,388,	2,416	175	48
5,	290,	1,449,	14,018,	2,524	161	53
11,	261,	1,499,	15,489,	2,649	187	62
4,	292,	1,817,	17,212,	2,789	196	56
5,	358,	2,174,	19,050,	2,935	218	72
—	404,	2,191,	20,867,	3,007	143	71
—	493,	2,210,	23,054,	3,117	194	84

MANITOBA
Province of Manitoba
Provincial Auditor

THE TEACHERS' RETIREMENT ALLOWANCES FUND

REPORT OF THE PROVINCIAL AUDITOR'S OFFICE

We have examined the financial statements, being Exhibits A and B and Schedules 1 and 2, of The Teachers' Retirement Allowances Fund for the fiscal year ended December 31, 1982. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1982 and the results of its operations for the year then ended in accordance with the accounting policies stated in note 1 to the financial statements applied, except for the fixed income measurement policy as explained in note 1 Bi, and after giving retroactive effect to the change in the real estate investment income measurement policy as explained in note 1 Biii to the financial statements, on a basis consistent with that of the preceding year.

W. K. Ziprick, C.A.,
Provincial Auditor.

April 29, 1983,
Winnipeg, Manitoba.

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Balance Sheet
as at December 31, 1982
(with 1981 figures for comparison)

ASSETS

	1982	1981
Investments, Schedule 1	$264,917,163	$222,547,959
Unamortized net adjustment to book value of securities sold before maturity	183,374	226,833
Accrued interest on investments	4,099,256	3,355,013
Investment income receivable	356,412	257,012
Balance of teacher and school division contributions owing by school divisions	2,217,549	2,398,129
Cash on hand and in bank	832,994	1,500,119
	$272,606,748	$230,285,065

LIABILITIES

Cheques issued and outstanding	$ 246,911	$ 312,465
Balance of Province of Manitoba Account	(34,084)	31,635
Benefit Reserves, Exhibit B:		
Reserves for teachers' share of benefits:		
Basic	250,907,449	212,437,015
Pension indexing adjustments	20,414,385	16,611,545
Reserves for employers' share of benefits:		
Manitoba Teachers' Society	757,471	629,535
Manitoba Association of School Trustees	59,220	46,378
	272,138,525	229,724,473
Reserve for Fund's share of employees' pension benefits (Note 1E)	255,396	216,492
	$272,606,748	$230,285,065

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Statement of Changes in Benefit Reserves
for the year ended December 31, 1982
(with 1981 figures for comparison)

	Reserve Teachers' Share
	Basic
Additions:	
Contributions:	
Teachers	$ 22,337,805
Province of Manitoba:	
Share of benefits charged	12,156,965
Re: Actuarial liability created by 1970 and 1973 amendments	1,613,300
Prior rural service of certain retired Winnipeg teachers	141,810
Manitoba Teachers' Society	—
Manitoba Association of School Trustees	—
Others—Transfers under reciprocal agreements	616,180
Total contributions	36,866,060
Investment Income, Schedule 2 (Note 1)	25,684,121
Total additions	62,550,181
Deductions:	
Pensions paid	20,683,559
Contributions refunded	2,210,054
Transfers under reciprocal agreements	693,326
Administrative expenses	492,808
Transfer to reserve for Fund's share of employees' pension benefits to cover past service liability	—
Total deductions	24,079,747
Net increase for year	38,470,434
Balance at beginning of year	212,437,015
Balance at end of year, Exhibit A	$250,907,449

Exhibit B

1982				1981
for of Benefits	Reserve for Employers' Share of Benefits			
Pension Indexing Adjustments	Manitoba Teachers' Society	Manitoba Association of School Trustees	Total	Total
$ 3,955,661	$ —	$ —	$ 26,293,466	$ 25,985,486
—	—	—	12,156,965	10,855,547
—	—	—	1,613,300	1,613,300
—	—	—	141,870	143,735
—	69,960	—	69,960	61,036
—	—	6,564	6,564	5,289
—	—	—	616,180	449,596
3,955,661	69,960	6,564	40,898,245	39,113,989
2,196,948	78,171	6,278	27,965,518	26,700,272
6,152,609	148,131	12,842	68,863,763	65,814,261
2,349,769	20,195	—	23,053,523	20,867,168
—	—	—	2,210,054	2,191,325
—	—	—	693,326	316,266
—	—	—	492,808	383,851
—	—	—	—	186,400
2,349,769	20,195	—	26,449,711	23,945,010
3,802,840	127,936	12,842	42,414,052	41,869,251
16,611,545	629,535	46,378	229,724,473	187,855,222
$20,414,385	$757,471	$59,220	$272,138,525	$229,724,473

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investments as at December 31, 1982

	Par Value	Book Value
Fixed income investments:		
Bonds and debentures issued by, or guaranteed by, the following:		
Canada	$ 15,424,000	$ 15,137,404
Province of Alberta	165,000	164,581
Province of British Columbia	371,000	368,308
Province of Manitoba	25,888,000	25,857,737
Province of New Brunswick	965,000	960,627
Province of Newfoundland	1,150,000	1,142,960
Province of Nova Scotia	385,000	382,635
Province of Ontario	1,625,000	1,619,640
Province of Prince Edward Island	790,000	781,485
Province of Quebec	1,235,000	1,229,411
Province of Saskatchewan	350,000	347,935
Hospital districts	4,654,000	4,615,924
Municipal corporations	10,561,746	10,508,043
School districts and divisions	306,000	303,756
Corporations	39,714,294	38,221,121
	$103,584,040	$101,641,567
Mortgages:		
Insured:		
National Housing Act (Canada)	54,484,009	53,535,502
Other	12,137,763	11,905,442
Uninsured	12,324,333	12,277,782
	$ 78,946,105	
Short Term Notes	$ 36,100,000	36,100,000
Units of Fixed Income Fund		2,000,000
Total fixed income investments at amortized cost		217,514,293
Less: Provision for losses		268,810
Equity investments:		
Mortgage investment corporation shares		2,099,496
Canadian Commerce Bank shares		4,280,000
Direct natural resources, shares		800,100
Venture Capital, limited partnership		400,000
Total equity investments, at cost		7,579,596
Real estate equity investments:		
Common shares		22,900,723
Participating bonds		22,646,685
Qualifying shares		13,676

Schedule 1, *continued*

Summary of Investments
as at December 31, 1982

Total real estate equity investments, at appraised values	45,561,084
Less: Provision for decline in appraised values	5,465,000
Net real estate equity investments	40,096,084
Total investments, Exhibit A	$264,917,163

Schedule 2

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Summary of Investment Income
for the year ended December 31, 1982
(with 1981 figures for comparison)

	1982	1981
Fixed income investments:		
Interest	$24,509,130	$19,917,216
Amortization of discounts and premiums	246,424	19,692
	24,755,554	19,936,908
Less: Provision for capital losses on fixed income investments	413,310	—
	24,342,244	19,936,908
Equity investments:		
Dividends	236,976	119,886
Real estate equity investments:		
Interest and dividends	3,150,621	2,560,291
Adjustments due to change in book value of investments	261,656	259,691
One-half of increase in appraised value	—	3,844,000
	3,412,277	6,663,982
Total investment income	27,991,497	26,720,776
Less: Allocated to Reserve for Fund's share of employees' pension benefits	25,979	20,504
Net investment income, Exhibit B	$27,965,518	$26,700,272

THE TEACHERS' RETIREMENT ALLOWANCES FUND

Notes to the Financial Statements
for the year ended December 31, 1982

1. **Significant Accounting Policies:**

The significant accounting policies are summarized below:

A) The Fund follows the accrual basis of accounting in all cases where the amount of the accrual is material, specifically teacher contributions and fixed investment income.

B) The investment income measurement policies consist of:

i) *Fixed income investments:*

Income on fixed income investments includes the net effect of amortization of discounts and premiums on securities held as well as amortization of book losses on bonds sold before maturity in order to acquire other securities for an increase in net yield.

Commencing in 1982, one quarter of 1% of the weighted average monthly book value during the year of fixed income investments, excluding short-term notes, is allocated to a provision for capital losses and any actual losses realized are charged against the provision. The effect of this change in policy is a reduction in reported investment income for 1982 of $413,310.

ii) *Equity investments:*

Each year the recorded value of equity investments, where a quoted market value is available, is adjusted to reflect the change in their market value. One-half of any unrealized appreciation is taken into income in the year and the balance is credited to the provision for market declines. In any year that the market value decreases, the whole of the decrease is charged to the provision. When an investment is sold the balance in the provision pertaining to the investment sold is transferred to income. At the end of 1982, no quoted market values were available in respect of equity investments held.

iii) *Real estate equity investments:*

The same income measurement policy that applies to the Fund's other equity investments has been adopted for real estate equity investments retroactive to the beginning of 1981. The Board has recognized appraised values of the underlying properties on real estate investments for purposes of this policy. Appraisals are done by management and test verified by independent appraisers at September 30 in each year. The Fund's share of the appraisal surplus on that date is reflected in the accounts. Transactions recorded as a result of this policy were as follows:

	Appraisal Surplus	Added to Investment Income	Provision for Market Declines
As at December 31, 1980	$ 6,749,000	$3,374,000	$ 3,375,000
Year ended December 31, 1981	7,688,000	3,844,000	3,844,000
Year ended December 31, 1982	(1,754,000)	—	(1,754,000)
Balances, December 31, 1982	12,683,000		$ 5,465,000
Real estate investments, cost	32,878,084		
Real estate investments, appraised value	$45,561,084		

C) *Pension Indexing Adjustment Reserve:*

An allocation of teachers' contributions is made in accordance with the Act to the reserve. Interest is allocated to the reserve on the basis of the average rate earned by the Fund on total new fixed income investments made since establishment of the reserve.

Cost of living pension adjustment payments are calculated effective July 1 in each year and are based on the lesser of the increase in the Canadian Consumer Price Index for the preceding calendar year, or the amount, determined by an actuarial review, that could be paid without resulting in an unfunded liability in the reserve.

D) The financial statements do not reflect the financial position of the Fund on an actuarial valuation basis. In accordance with the Act, an actuarial valuation and report is required every 3 years. In his most recent actuarial report on The Teachers' Retirement Allowances Fund as at January 1st, 1981, the Actuary stated that the financial position of the Fund had improved during the period covered by his review. As a result of the limited utilization of the Province of Manitoba rate guarantee the Fund was in a sound financial position as of the valuation date.

E) *Reserve for Fund's share of employees' pension benefits:*

The Fund is liable for payment of one-half of the pension paid to its retired employees. Based on an actuarial report as at December 31, 1980, a portion of the Fund was allocated to provide for the Fund's accrued actuarial liability in this regard. The report provided a method of allocating further funds to the Reserve each year to recognize the annual increases in this liability. Transactions affecting the Reserve in 1982 and 1981 were as follows:

	1982	1981
Balance, beginning of year	$216,492	$186,400
Interest, allocated from investment income	25,979	20,504
Required employer contribution charged to Administrative expenses	15,388	11,859
	257,859	218,763
Less: Fund's share of pension payments	2,463	2,271
Balance, end of year	$255,396	$216,492

2. **Guarantee by the Province:**

Under the Act, the Province of Manitoba guarantees that a certain rate of return which varies based on actuarial assumptions, will be earned on the assets of the Fund. Any deficiency in annual earnings is made up by the Province; however, no payments have been required since 1975.

3. **Comparative Figures:**

Certain of the 1981 figures have been restated to conform to the 1982 financial statement presentation.

This booklet was prepared by:

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